

HOUSING MARKET OUTLOOK

Thunder Bay CMA



Canada Mortgage and Housing Corporation

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New Home Market

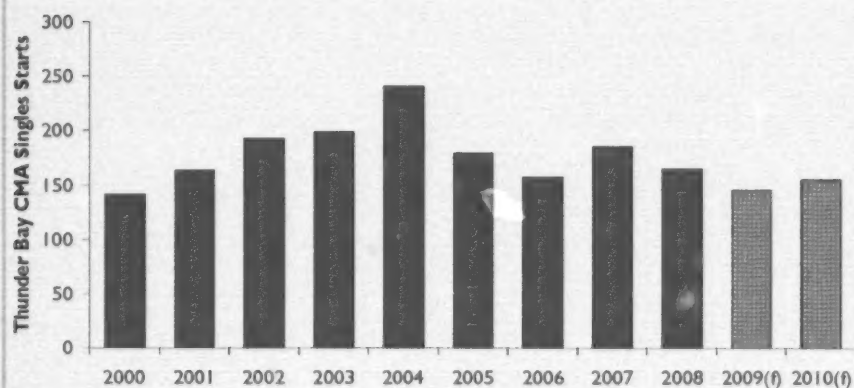
Thunder Bay's Single-Detached Starts Retreat in 2009

Single-detached home starts in Thunder Bay are expected to edge down twelve per cent in 2009 to 145 units and recover modestly in 2010. Job losses, cautious consumer spending and slowing sales in resale market all contribute to economic

uncertainty. In addition, this results in disposable household income being constrained affecting the purchase of big ticket items such as housing. Nonetheless, due to the relative affordability of Thunder Bay's market, the slowdown in housing activity should not be as pronounced as in other centres in Canada. Although semi-detached, apartment and condominium con-

Figure 1

Thunder Bay Single Starts to Trough in 2009



Source: CMHC

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struction has been sporadic in recent years, CMHC expects ten semi-detached and twenty apartment condominium units to be built this year while next year in 2010, the forecast points towards slightly improved levels of activity.

The Statistics Canada New Housing Price Index for Sudbury-Thunder Bay is reflecting strong demand for land and labour associated with the recent housing boom in Sudbury more so than Thunder Bay. Flat for several years, the index jumped 4.3 per cent in 2007 and another 5.5 per cent in 2008. New home demand pressures will ease and will dampen growth in new home prices. CMHC anticipates price growth to average 1.5 per cent in 2009 as activity becomes more aligned with long-term demographic demand.

In Thunder Bay, building permit approvals in the first quarter indicate that the spring building season will be weaker than last year. Thunder Bay has experienced reasonable single-detached housing starts levels since the 2000 low of 141 single-detached starts. The cumulative level of starts since 2000 has topped long term demographic requirements. An economy under some stress will cause single-detached housing starts to soften in 2009 and be more in line with demographic requirements. Twenty apartment units will start this year and next while one condominium project will start next year in Thunder Bay.

Thunder Bay's supply of buildable lots is still good, based on the City Long Range Planning Department's December 2008 count of unbuilt lots. There were 148 unbuilt lots in

developers' inventories in registered plans at the time of the city's survey. There are hundreds more lots in draft approved stage moving through to registration.

Resale Market

Affordable Resale Market and Tight Listings Buoy Activity in Thunder Bay

Record sales in 2008 will give way to moderating sales volumes in Thunder Bay's resale market this year and next as the economy continues to moderate. After hitting an all-time record of 1,649 transactions in 2008, sales will dip 20 per cent in 2009 as job growth turns negative. Resale housing still remains very affordable given Thunder Bay reasonable incomes and relatively low home prices. International researchers have reported on the affordable nature of the local housing market

and CMHC research supports this stating that Thunder Bay is the most affordable market in Ontario with cities with populations over 100,000. Sales will improve slightly in 2010. Employment weakness will persist in 2009 and recover only marginally in 2010 given the volatile economic and financial market conditions. Prospects are especially bleak this year for forest products.

Active listings in District 1 or urban Thunder Bay as of the end of March are less than half of what they were three years ago. This critical supply shortage has bolstered prices especially last year when prices rose on average 7.4 per cent in Districts 1 and 2 combined. Although employment growth will not be a positive factor for the resale market, low interest rates and a continued lack of listings will boost average resale home values again in 2009. Expect average prices to rise 2.0 per cent this year and somewhat more in 2010.

Figure 2

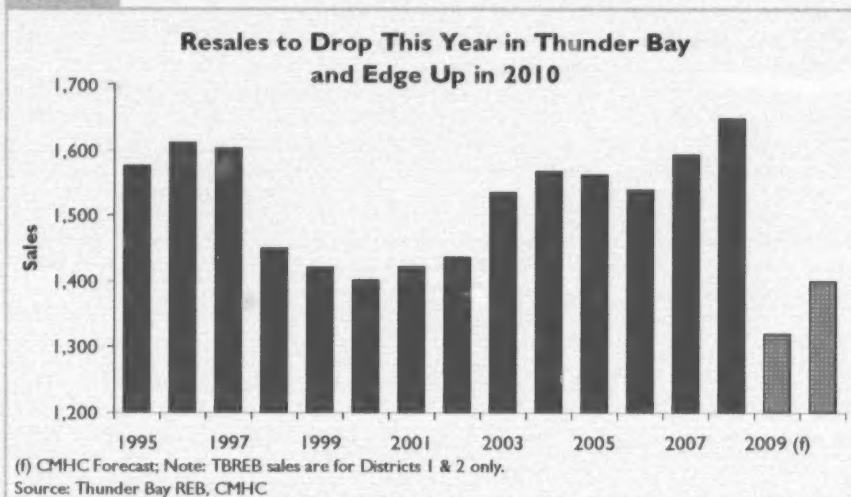
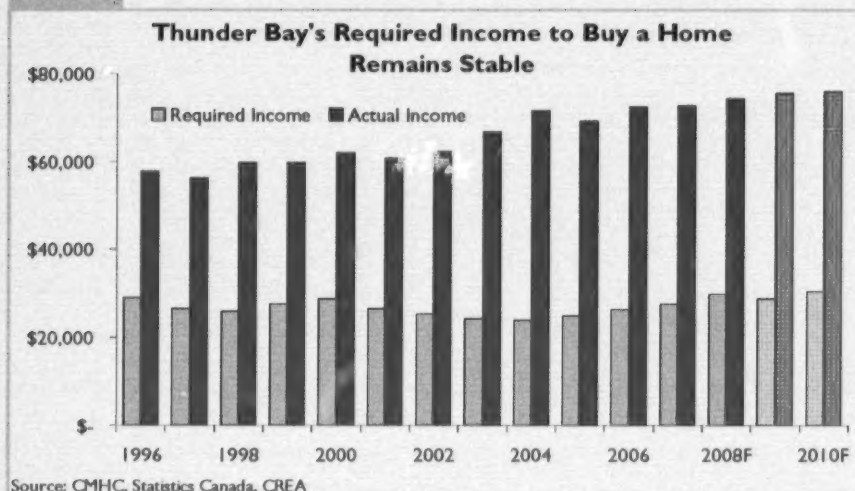


Figure 3



Local Economy

Thunder Bay Labour Market in Transition

Employment is anticipated to fall sharply in 2009 with only a modest recovery in 2010. Continued losses in the beleaguered goods producing sector were being offset by relative strength in the services-producing sector but this phenomenon seems to have run its course for the short term. The services-producing sector has started to shed jobs as the economy slows and consumers curtail their spending. Labour force declines will not match job losses so we expect the unemployment rate to rise above seven per cent this year.

The forecast for all segments of the forest products sector is rather pessimistic for 2009. This is coming off two consecutive years (2007 and 2008) that experienced double-digit Ontario forest industry employment losses in percentage terms according to the Labour Force Survey. Given weak

demand for their products and low prices, dimensional lumber operations in Thunder Bay for the Buchanan Group of companies are not running. Downtime is now affecting the premier forest products operation in Thunder Bay, that being Abitibi-Bowater newsprint and kraft operations.

On a more upbeat note, Bombardier is having continued success in winning contracts for rapid transportation across North America which bodes well for this key employer. Infrastructure spending should also help the local economy. Gold mining and mineral exploration activity in Northwestern Ontario has slowed somewhat but still benefits Thunder Bay's economy. Finally, the emerging knowledge sector of the economy continues to positively impact Thunder Bay's future. However, it will take some time for knowledge sector jobs to replace those lost in the forest products industry.

Age Specific Employment Data Finds Troubling Weakness in Thunder Bay

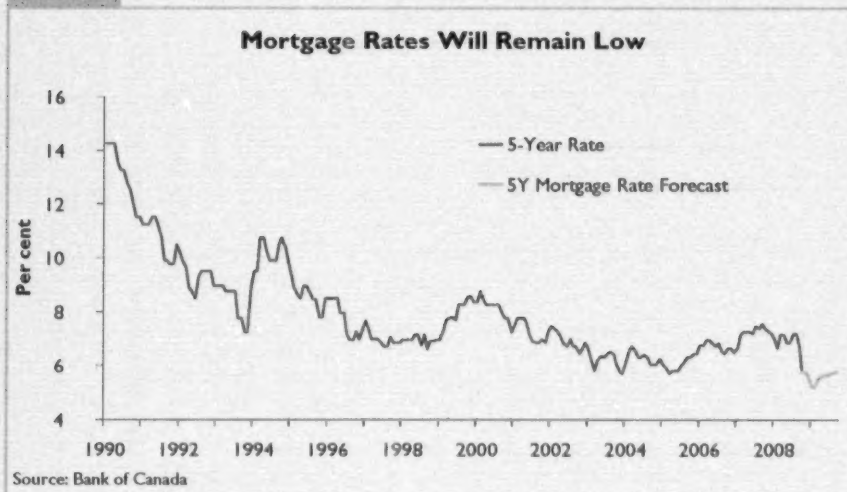
Thunder Bay's job market will continue showing weakness this year. In Thunder Bay, employment in the 45-64 age category is the strongest according to the indexed based employment data, while jobs for the age group between 15 and 24 years old are just slightly below of levels in '96. Data for the most critical group relating housing demand, that of age 25-44, is especially troubling, with employment levels below 80 per cent of 1996. To understand this index, levels above 100 signals employment growth and below, indicates job loss

Incomes, as measured by average weekly earnings are bound to be impacted in 2009 by the loss of goods producing sector jobs. After a 2.4 per cent increase in Thunder Bay average weekly earnings in 2008, expect incomes to rise a modest one per cent in the current year.

Out-Migration From Thunder Bay Persists

Out-migration and net negative natural increase persist in Thunder Bay. The latest data for the CMA suggests both demographic indicators have been negative for at least four years. Net migration is anticipated to stay negative in 2007-2008, and also in 2008-2009 although out-migration will moderate as a gradually improving economy along with a downturn in Western Canada's economy, tempers the movement out of Thunder Bay.

Figure 4



Mortgage Rates

Mortgage rates are expected to be relatively stable throughout 2009, remaining within 25-75 basis points of their current levels. Posted mortgage rates will increase very gradually during the course of 2010, reflecting a rise in government of Canada bond yields. For 2010, the one year posted mortgage rate will be in the 4.75-6.00 per cent range, while three and five year posted mortgage rates are forecast to be in the 5.00-6.75 per cent range.

Forecast Summary Thunder Bay CMA Spring 2009							
	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	1,539	1,593	1,649	1,320	-20.0	1,400	6.1
MLS® New Listings	3,015	2,631	2,839	2,967	4.5	2,996	1.0
MLS® Average Price (\$)	127,464	129,734	139,301	142,100	2.0	145,500	2.4
New Home Market							
Starts:							
Single-Detached	157	185	165	145	-12.1	155	6.9
Multiples	8	64	2	30	**	54	80.0
Semi-Detached	8	8	2	10	**	10	0.0
Row/Townhouse	0	24	0	0	n/a	0	n/a
Apartments	0	32	0	20	n/a	44	120.0
Starts - Total	165	249	167	175	4.8	209	19.4
Average Price (\$):							
Single-Detached	226,633	239,933	244,158	245,000	0.3	250,000	2.0
Median Price (\$):							
Single-Detached	215,000	230,000	245,000	242,000	-1.2	243,000	0.4
New Housing Price Index (% chg) (Thunder Bay-Sudbury)							
	1.7	4.3	5.5	1.5	-	2.0	-
Rental Market							
October Vacancy Rate (%)	4.9	3.8	2.2	1.6	-0.6	2.0	0.4
Two-bedroom Average Rent (October) (\$)	696	709	719	732	1.8	745	1.8
Economic Overview							
Mortgage Rate (1 year) (%)	6.30	6.90	6.70	4.80	-1.90	5.29	0.49
Mortgage Rate (5 year) (%)	6.70	7.10	7.10	5.64	-1.46	5.94	0.30
Annual Employment Level	61,500	63,000	63,000	59,000	-6.3	59,500	0.8
Employment Growth (%)	-3.7	2.3	0.0		-6.3		0.8
Unemployment rate (%)	7.5	6.7	5.8	7.1	-	7.0	-
Net Migration ⁽¹⁾	-747	-411	-300	-200	-33.3	-100	-50.0

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2007 and 2008 migration numbers are forecasts

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